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International Comparisons

Analysis of Trends and Issues from the International Grantmaking Sector

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Canada

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Abstract

This literature review seeks to contextualize the Canadian foundation grantmaking milieu with respect to international examples, with particular reference to social innovation. It provides an overview of comparative contexts that either (1) resemble Canada or (2) are distinguishable from it, to generate a set of best practices relating to investments in social innovation by grantmaking foundations – both through grants to other organizations and via direct programming. In order to highlight a diverse range of socially innovative forms and practices, we examine best practices in grantmaking in two broad contexts: First, in three countries that share a similar history and institutional landscape with Canada (United States, United Kingdom, New Zealand), and second, in three countries where grantmaking has developed along very different historical trajectories and where it has taken on different institutional forms. France, Sweden and Italy are home to unique foundation forms and grantmaking practices that differ in the services they provide, the laws that give rise to their respective organizations, and the core principles that shape their practices.

The review is divided into three parts. In the **introduction,** we provide a context for our review, define grantmaking in in the two broad contexts described above, and offer a definition of social innovation broad enough to capture these diverse contexts and approaches. In **part 1**, we describe the institutional forms and structure that grantmaking takes in the countries selected in our review, asking which of these forms can reasonably and usefully be extended to the Canadian context. Here we also touch on various features such as sector size, history, culture, assets, legal barriers, and international grantmaking, and explain the basis upon which countries are grouped together as similar or dissimilar.

Part 2 examines social innovation in grantmaking through the use of individual country case studies that illustrate how grant-makers are applying novel techniques and strategies of grantmaking with the intention of having a greater social impact. This includes consideration of strategies such as using alternative community finance or investment models, scaling up programming, collaboration, pooled grants, cross-sector partnerships, technology and data sharing, the use of impact metrics, and/or grantmaking across international borders.

Introduction

Introduction.1 Social Innovation Defined

The extension of certain forms of management theory to charitable activities has led members of the philanthropic community to turn toward a focus on "social innovation" as a way to make charity more results and performance-oriented, through a focus on grantmaking and programming guided by principles of efficiency and effectiveness and/or by placing the issue or system before the organization (Jackson 2009). With regard to *social* innovation, however, the focus on effectiveness and efficiency extends far beyond strict considerations of cost-effectiveness, and can also frame effectiveness in terms of greater community involvement, transparency, sustainability, cultural sensitivity, scale and impact of programming, attention to issues of social justice, and the involvement of relevant community stakeholders, for example.

Defining social innovation, however, remains difficult, largely because what is deemed as socially innovative is largely dependent on context, shifting both in relation to the norm, as well as with increased knowledge about desired outcomes. For example, in the early 2000s, microfinance was considered a promising and socially innovative means of poverty alleviation that targeted individuals in developing countries and allowed them to manage their own investments, when compared to a norm of international funding for programming that was largely channeled through governments or NGOs. However, recent findings from RCTs suggest that while microfinance does lead to more business investments and increases financial freedom for the poor, it does not appear to increase household income, result in the empowerment of women, or contribute to better school attendance for their children (J-PAL 2015, Bannerjee 2013). What at one point was considered socially innovative may no longer be at a later point; there is thus no one stable identification of social innovation, nor is there likely to ever be one (Buckland and Morillo 2013:6).

Still, it remains possible to focus on general features common to socially innovative practices today. A fairly broad definition in this vein then can be found in Phillis et al (2008), who define social innovation as:

> A novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals (p. 36).

We see then that socially innovative practices are highly results-oriented, striving towards measurable improvements in social impact, however these may be defined (e.g., greater efficiency, program performance, or scalability) (Phillis et al 2008, Jackson 2009; Buckland and Morillo 2013:6). They also strive towards justice or sustainability. And finally, they target largely social goals rather than individual or strictly profit-oriented ones[1] (Phillis et al 2008).

Introduction.2 Grantmaking

As is the case with defining social innovation, there is no one stable definition of grantmaking foundations throughout the comparative context. In Canada, most

[1] Another definition of social innovation is offered by Frances Westley: Social innovation is an initiative, product or process or program that profoundly changes the basic routines, resource and authority flows or beliefs of any social system. Successful social innovations have durability and broad impact. While social innovation has recognizable stages and phases, achieving durability and scale is a dynamic process that requires both emergence of opportunity and deliberate agency, and a connection between the two. The capacity of any society to create a steady flow of social innovations, particularly those which re-engage vulnerable populations, is an important contributor to the overall social and ecological resilience (Westley 2008:1).

grantmaking foundations are philanthropic (donor-based). Therefore, there are relatively few grantmaking foundations that utilize corporate largesse[2], professional levies or government funds, for example.

We define a grantmaking foundation at a basic level as any organization that issues grants as a significant part of their operations, and can autonomously decide, as an entity, how grants are distributed. We are also limiting the focus to foundations that grant to *multiple* recipient organizations, and that primarily or formerly operate(d) through grants to other organizations. Anheier (2001) argues that foundations generally are deemed to share a common image in which the entity has a separate, identifiable asset donated for a specific purpose, which is generally public in nature. However, beyond this, foundations in Western democracies share little more in common due to the various legal traditions and systems in which they operate (Anheier 2001).

In the European context, while some have argued that a common definition of foundations is necessary, no such resolution has yet to pass. The European Foundation Centre is a membership association that argues in favor of a more cohesive operational and legal environment for European foundations that operate transnationally and provides information on progress being made by the European Commission in adopting a European Foundation Statute. The proposed European Foundation Statute, which was first presented in 2012, would define a foundation as a "public benefit purpose foundation," where each foundation would have to prove its public benefit purpose, cross-border dimension, and its possession of at least 25,000 euros in assets. Crucially, this statute would be legally recognized in all European Union member states and would operate across the same set of requirements across each of these jurisdictions.

Since no common definition of a grantmaking foundation exists for those operating in western democracies or even the European Union (despite the proposed Statute), we discuss here how grantmaking foundations operate in contexts which resemble Canada (i.e. UK, US, and New Zealand) and in those which do not (i.e. France, Sweden, and Italy). In those contexts that resemble Canada, grantmaking foundations often refer to charities with permanent endowment funds dedicated to charitable goals, which have autonomous decision-making authority to determine how their organization will improve communities.[3] In those contexts that do not resemble Canada, grantmaking foundations still are dedicated to charitable goals. However, they are more likely than not to be connected to a veto player (such as a government or a private institution) that limits their ability to autonomously determine the extent to which the foundation has control over their objectives, policies, or projects.[4]

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[2] Although few in number, certain corporate foundations – for example, Suncor Energy Foundation and Trico Charitable Foundation - play a very visible role with respect to social innovation in Canada.

[3] In the UK specifically, charitable trusts dedicated to charitable goals, rather than "foundations" technically exist under English law and receive exemptions from most forms of tax. In New Zealand, community foundations improve communities using their permanently-endowed charitable gifts. In the United States, grantmaking foundations are organizations that are charitable and tax-exempt either private or public charities.

[4] There is no commonly accepted legal definition of foundation in Europe or in the European Union. In France, the state plays a crucial role in determining their foundations' agendas, since state representations

Introduction.3 Partnering with Government

In comparison to governments, private foundations are often argued to have an advantage in catalyzing social innovation due to greater autonomy, higher risk tolerances [5], and longer time horizons. However, as Phillis et al. (2008) note, governments (as well as businesses and larger nonprofits) today are also increasingly developing and implementing socially innovative programming.

For example, in the UK, the government has sought to find innovative, cost-effective ways to enable citizens to make better choices, and is doing so through the integration of behavioural economics into public policy, led by the UK Government Cabinet Office's Behavioural Insights Team (BIT). The most significant direct savings identified have been in the area of Customs and Revenue, particularly related to tax and fraud. The BIT has successfully implemented simple, cost-effective measures have been in these areas, such as subtly changing the language used in letters (e.g. informing individuals of the proportion of their neighbours who have already paid their taxes) and thereby encouraging people to pay their tax (Buckland and Murillo 2013:72). Likewise, the rise of Social Impact Bonds in the UK (and in the US) are serving to foster greater collaboration between governments and social innovators, providing funding for projects only if they are proven to have an impact[6] (Hughes and Sherer, 2014).

Governments have also scaled up socially innovative programs first piloted by foundations. In India, the Akshaya Patra Foundation commenced a program in 2000 to address absences and classroom hunger by providing poor children with free midday meals at school; by 2003 the program came to be mandated centrally by the Government of India, which partnered with Akshaya Patra to serve cooked meals at all government (public) schools (Kamath et al 2012).

Part 1. International Overview

1.1. Similar Comparative Examples: Canada, US, UK, NZ.

The four countries in the first part of the review share several common features in their grantmaking landscapes. Canada, the US and New Zealand all draw on a longer history initially informed by British modes of charity and its legislation, although charity and the

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have a mandatory seat on the boards of associations and foundations, which can be formed for either general interest or public utility. In Italy, while foundations are deemed autonomous, private, and not for profit, banking foundations -- a relatively new innovation under Italian law -- are not for profit foundations as part of, whose aim is to pursue social utility objectives and to foster economic development. Finally, the owners of Swedish foundations are often the state.

[5] At the same time, American foundations have generally been described as fairly "risk averse" (Cohen 2006) although risk tolerance among individual foundations of course varies, with those holding social innovation as a value tending towards riskier ventures (see Haynes 2013).

[6] In a similar vein, Payment by Results or Results-based Aid has emerged as a means of providing international development funding only of results can be demonstrated (sources).

laws that regulate it have been variably redefined in each context through time. In general, these countries are today home to favourable environments for grantmaking, outlining tax incentives for donors and rebates for grantmakers, and governments have enacted legislation clearly defining grantmaking foundations as autonomous institutions, albeit subject to various forms of regulation. However, contrasts between these jurisdictions can be seen in differing foundation types, sector sizes, and regulatory obstacles, for example.

1.1.1 Canada

Canada has a well-developed welfare state which spends tens of billions of dollars on health, education, and social services. But Canada also has a well-developed philanthropic infrastructure. Relative to the number of charities in the US, Canada has a similar number of foundations While in 2010 representatives from Community Foundations of Canada (CFC) and Philanthropic Foundations of Canada (PFC) reported about 9,000 foundations (Patten and Pearson 2010:100); a 2014 report by Imagine Canada and PFC enumerated approximately 10,500 foundations out of 86,700 charitable organizations (p. 2). Foundations in Canada are registered charities.[7] Canada has three types of charities as identified by the Income Tax Act: (1) Private foundations; (2) Public foundations; or (3) Charitable organizations (aka operating charities) (PFC, 2014). Public and private foundations give a total of about $3.5 billion per year, according to the Canada Revenue Agency. Corporations give about $1 billion annually. In 2010, the total amount of financial donations that individual Canadians made to charitable or non-profit organizations stood at $10.6 billion, about the same amount as in 2007 (Turcotte 2010:18). Many public foundations – such as hospital or university foundations - are set up to grant to one charity, and are not in the scope of this research, but others - in particular community foundations (nearly 200 nationwide),[8] including some of the largest grantmaking foundations in Canada) are important to this analysis.

The regulatory and social environment for giving has been described as "relatively hospitable" in Canada, and the process for registering a foundation is relatively straightforward (Patten and Pearson 2010:100). Generous tax incentives are provided to individual donors to public and private foundations, as well as incentives for foundations giving larger gifts (Patten and Pearson 2010:100). Canadian charities can engage in certain allowable political activities[9] so long as they advance, and not supersede, its charitable purpose, but Canadian laws limit charitable expenditures on political activity in various ways.[10] These laws have been argued to limit the role of charitable organizations

[7] There are, however, some foundations in Canada that are not registered charities, such as certain public sector foundations (e.g. Ontario Trillium Foundation) or certain profession-based foundations not capitalized through tax-receipted donations (e.g. most real estate and law foundations).

[8] Community Foundations Canada website indicates there are currently 191 community foundations.

[9] Allowable (albeit limited by law) political activities include: explicitly communicating a call to political action; Explicitly communicating to the public that the law, policy, or decision of any level of government in Canada or a foreign country should be retained; or explicitly indicating in its materials (whether internal or external) that the intention of the activity is to incite, or organize to put pressure on, an elected representative or public official to retain, oppose, or change the law, policy, or decision of any level of government in Canada or a foreign country (Shaper 2012).

[10] The Canada Revenue Agency only allows NGOs to spend 10 percent of their time and about 10 percent of their income on policy advocacy and law reform. Small charities reporting an annual income between $50,000 and $200,000 can spend 12-20% of their income on political activities (Canada Revenue Agency,

in public debate (Mahoud and Iler 2015, Shaper 2012). Expenditures on policy advocacy and legal reform are limited to between 10-20% of income, depending on the annual income of the organization.

Obstacles include laws that restrict foundations to giving to only other registered charities, which are defined according to centuries old definitions that exclude many organizations from receipted giving (Patten and Pearson 2010:100). International giving in Canada remains fairly limited; only 3% of foundation funding is allocated to international activities, only 7 of the largest 15 foundations make international grants, with the total amount of international grantmaking totaling $40 million in 2005 (Moreno and Plewes 2009). A restrictive regulatory environment has similarly been identified as a barrier to international grantmaking; the Canada Revenue Agency restricts grantmaking to “qualified donees”, a limited set of organizations including Canadian registered charities, certain universities outside Canada, the United Nations and its agencies, and a few foreign charities. Grantmakers are also permitted to carry out their own international activities; these activities can also be contracted to another organization (agent), but the Canadian organization must be the active and controlling partner (CRA, 2000 in Moreno and Plewes 2009:5).

According to a 2014 study by PFC and Imagine Canada, education and research, health, and social services form the highest percentage of total grant value by funding area among the top grantmaking foundations, constituting a total of 59% of grant value (p.12).

1.1.2. New Zealand

Like Canada, New Zealand is a country with a strong welfare state tradition, although its private philanthropic sector has grown significantly in the past 15 years (Scott 2010:34). The sector is diverse, comprising private family and corporate trusts, but also a growing number of statutory trusts established by government statute, for example, community trusts, lottery grants board, energy trusts, and gaming trusts. These trusts possess an autonomy in the allocation of funds that make them effectively institutionally separate from government. Further, they disburse the vast majority of grants made in New Zealand: In 2006, for example, 83% of philanthropic giving in NZ ($821,426,000) came from statutory foundations and 17% ($124,712,000) from voluntary trusts (BERL 2006 in Scott 2010:38).

The legislative environment has been described as “enabling,” with no substantial barriers to establishing philanthropic structures and no undue accountability burdens. There are tax incentives for those who give to organized philanthropy (Scott 2010:34).

In terms of obstacles, the grantmaking sector in NZ has been described as “duopolistic” – a very small number of organizations account for the vast majority of assets, limiting

2003). Some commentators have noted that such regulations are absent in the for-profit sector; corporations for example face no restrictions on lobbying activities, 100% of which can be written off as business expenses (Mahood and Iler 2015).

scope and innovation (Greatbanks 2013:vii). Despite increasing levels of collaboration between grantmakers, the majority of organizations still appear to function in a largely autonomous manner, replicating similar processes, to similar people, and with similar aims and objectives, prompting calls for greater collaboration. In addition, the three year political cycle has also been cited as an issue in the NZ philanthropic sector, as a barrier to long-term coherent implementations of philanthropic agendas (Greatbanks 2013:vii).

See Figure 1 below for a breakdown of giving in New Zealand.[11]

Figure 1: Philanthropic Giving in New Zealand by Type of Trust/Foundation

Breakdown of giving by type of trust and foundation (2006)

Type of Trust/Foundation	Percent Giving	Amount of Giving (NZD)
Gaming machine trusts	36%	$272,000,000
Voluntary trusts and foundations	16%	$116,606,000
Energy trusts	16%	$120,877,000
Lottery grants board	15%	$110,937,000
Community trusts	15%	$111,251,000
Other	2%	$15,566,000

Source: Johnson et al 2010:39

1.1.3. United States

The American grantmaking landscape is varied and robust, and has undergone several important shifts in terms of its relation to the state throughout the twentieth century. Modern philanthropy in the US began with the growth of industrial wealth in the late 19th and early 20th century and the development of new forms of charitable giving by a new class of "enlightened" industrialists, such as Carnegie and Rockefeller. Such forms departed from religious forms of charity, appearing instead as a "capitalist venture in social betterment," one concerned with spending money well and channeling it through a series of new philanthropic institutions. Grantmaking was also enabled by legislative changes that permitted foundation members to change the purposes to which an endowment could be used, to better adapt to changing social circumstances (Zunz 2011:1-2).

The state has alternatively promoted and curtailed philanthropic giving throughout the twentieth century, as government alternatively assumed or deferred its commitment to taking responsibility for social welfare. For example, Herbert Hoover's vision of an "associative state" mandated a limited role for government, one where philanthropic and community organizations and funds were incorporated into federal social policy. Under Roosevelt's New Deal, the federal government assumed full autonomy in the distribution of federal resources for social programming, generally excluding philanthropy from federal-state relations (Zunz 2011:5). In contrast, in the Great Society, President Johnson

[11] Information on dollar amounts given by grantmaking foundations to specific issue areas was unavailable for New Zealand.

created an original fusion of private and public funds to deliver social services to the poor, many of which emerged from philanthropic pilot programs.

This “mixed political economy of giving” persists today in the American philanthropic landscape, recently accompanied by an impressive rise in international giving (ibid). The Foundation Center estimates that total charitable assets in the US amount to roughly $1 trillion with total annual charitable giving by private foundations and public charities of nearly $100 billion per year. Giving USA estimates that total charitable giving in the US, including individual giving, is currently about $300 billion per year (Johnson 2010:105).

The US tax code divides foundations into public and private, where public foundations are nonprofit organizations that receive at least one-third of their income from the general public. Public foundations may make grants or engage in charitable activities. Private foundations may be subdivided into various categories. Family foundations hold funds whose funds are derived from members of a single family; while family members typically remain involved in various capacities throughout the life of a foundation, at least one family member must continue to serve as an officer or board member.[12] Private operating foundations use the bulk of their income to provide charitable services or to run charitable programs of their own, making few, if any, grants to outside organizations. Independent foundations are typically founded by individual bequests, and are typically referred to as “non-operating” foundations, as they do not run their own programs, but rather make grants to other tax-exempt organizations to carry out their charitable purposes. Private foundations are required to make charitable expenditures of approximately 5% of the market value of their assets each year. While exempt from federal income tax, private foundations must pay a yearly excise tax of 1%-2% of their net investment income. Corporate foundations derives their grantmaking funds primarily from the contributions of a profit-making business, which often maintains close ties with its corporate-sponsored foundation. Corporate foundations are nonetheless separate legal organizations, sometimes with their own endowments, and are subject to the same rules and regulations as other private foundations (Philanthropy Network of Greater Philadelphia, 2015).

The tax environment in the US is favorable to giving, although the U.S. tax code is long and extremely complex. It includes 31 different categories of tax-exempt organizations, the broadest being the 501(c)(3) category for organizations engaged in charitable, religious, scientific, educational, and other activities. Organizations receiving charitable status must adhere to a number of conditions, such as not engaging in political lobbying. One of the principal benefits of 501(c)(3) tax-exempt status is that individuals donating to the organization can receive a tax deduction for their gift (Johnson 2010:106).

As in the Canadian context, there are limits on the use of philanthropic dollars for advocacy and political lobbying. During the civil rights movement, American philanthropists tested the boundaries of such limits with some success, by investing in

[12] Family foundations are estimated to constitute two-thirds of the 50,000 private foundations in the United States (Philanthropt Network of Greater Philadelphia, 2015).

education and community-building for blacks in the American South during segregation, for example, while remaining unable to formally challenge Jim Crow laws (Zunz 2011).

Like Canada, health and education were the top issue areas overall (domestic and international combined), constituting grants totalling US $5 billion respectively, or 22% respectively of all grants made, followed by human services at 3.5 billion (16%) (Foundation Center 2014).

1.1.4. United Kingdom

The UK charitable sector in its current form dates back to the 16th century when, charity became increasingly organized along secular lines as opposed to remaining the exclusive domain of the Church of England. Growing concerns about poverty - and the social unrest it might create - resulted in the Elizabethan Poor Laws of 1601, which allowed private charitable activities to evolve into an independent charitable sector. Today the UK charitable sector consists of over 160,000 charities, with a combined income in 2009/10 of £36.7 billion (2.5 per cent of GDP).

In the UK, there are three main groups of charities that act as grantmakers: (1) Charitable trusts and foundations (2) Community foundations, and (3) Other charities.The majority of charitable trusts and foundations do not engage in any operational activities, i.e. the provision of direct support or services to beneficiaries. Some large operating (or operating fundraising) charities also carry out grantmaking, usually to support their own services. According to a 2007 report entitled "Grantmaking by UK Trusts and Charities," there are an estimated 8,800 charities total in the UK.

Unlike the US, tax deductibility is a much smaller consideration for the UK. Between 1983-1990, tax deductibility required either a payroll deduction or giving by covenant, where the donor had to decide a fixed amount of donations for greater than three years (Khanna, Posnett and Sandler 1995). Since 2000, the Gift Aid system offers tax rebates to individuals for donations of any amount. Charities may claim a basic rate income tax relief (at 20 per cent) on donations, which approximates to 25 per cent match on gifts out of net-of-tax income.

Grantmakers in the UK are not subject to mandatory payout regulations, as they are in Canada and the US, where governments require mandatory annual payouts of 3.5% and 5% of assets respectively. Still, a 2008 study found that there appears to be a broad convergence around 5% in UK foundation payout rates (CGAP, 2008).

Grantmaking foundations in the UK constitute about 5% of the total funding of the third sector. They have total assets worth more than £35 billion, and their total annual giving was worth about £3 billion in 2008/09 (CGAP, 2008). About 5% of total foundation funding from the UK is spent internationally.[13]

1.2. Different comparative examples: Italy, France, Sweden

[13] This information comes from the Intrac Policy Briefing Paper (2012)

For the purposes of this analysis, Italy, France, and Sweden constitute the case studies which we deem to be distinguishable from the Canadian context because of the lack of autonomy afforded to grantmaking foundations in setting their own agendas. While the US, UK, and New Zealand operate in contexts similar to Canada, where grantmaking foundations operate autonomously in determining the scope of their public benefit purposes, grantmaking foundations in Italy, France, and Sweden are often institutionally or informally aligned with the state and/or other institutions that shape their foundations' agendas.

1.2.1 Italy

Unlike Canada, Italy presents a case where its grantmaking is carried out by by banking foundations who set the agenda in terms of determining where and how resources for public benefit are distributed.

Italian law recognizes several forms of non-profit organizations, though banking foundations are most renowned for their grantmaking abilities. Developed in the 1990s through the privatization of public banks, banking foundations are a recent phenomenon under Italian law (Emmanuele 2004). They function as intermediaries between the individual donors and the social enterprise that they support, operate in their own community, and while they do not have shareholders, regional and local authorities typically appoint the members of the Board of Governors (Governance and Value Creation in Grantgiving).

With respect to its legal and tax framework, Italy resembled a traditional welfare state before the 1970s, though the model quickly began to deteriorate with a growing elderly population and a decline in social support. In the early 1990s, the Italian government began the process of reforming the entire banking system by privatizing public banks. This included the process of creating foundations, whose intention was to own the majority of the bank's shares and to operate as not for profit organizations whose aim is to pursue social utility objectives and to foster economic development.

Cultural considerations in Italy also distinguish it as a case from Canada. In Italy, welfare spending by the state is much lower than other countries because the Catholic Church and non-profit organizations have filled gaps in delivering public goods for the most part (Defourny and Nyssens 2008).

Unlike Canada, increasing the Third Sector in Italy poses a challenge because entrepreneurs who work in traditional enterprises are not attracted to it because they see too many limitations and would like more freedom, especially regarding the division of company profits. Investors are discouraged by strict legal requirements and rules to set up the activity and scarce incentives; fiscal advantages are not seen as attractive enough (SE Mapping Country Report Italy). Another challenge is the relative weakening of the financial position of several Italian foundations, which has raised concerns about their capacity to provide further support, if necessary. Finally, there is grave concern that foundations are subject to political influence and the stakeholders they serve rather than the public purpose they are created to address.

The scale and presence of the Italian public sector has substantially expanded since the 1980s, as new forms of "social cooperatives" took shape to supplement strained state social welfare institutions (Barbetta 1997; Defourny and Nyssens 2008). Since 2011, there were 301,191 nonprofit institutions in Italy, with a 28% growth compared to 2001. Their revenues represented 4.3% of national GDP. 65.9% of revenues came from private funding, of which 47.3% from sales.

Italy, however, presents an interesting comparative case to examine alongside Canada because social enterprise is currently making large strides in the Italian Third Sector. Italy has been a pioneer in developing a social enterprise concept in the European context, when it defined "businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners" (DTI 2002).

1.2.2 France

France differs from Canada with respect to grantmaking foundations in two ways: First, the majority of the foundation community in France continues to be largely composed of operating rather than grantmaking foundations and second, the state is largely involved in the public utility foundations that do exist.

The state continues to be ever-present in French foundations. While the development of foundations in Canada is encouraged, France offers an example of a country in which the state has historically tried to limit the development of trusts and foundations (Fack and Landais 2012). In France, restrictive laws prevent the full development of private nonprofit action, and particularly the development of foundations due to the philosophy that the state is the clearest expression of the common will and public good (Archambault 1996).

The number of charitable foundations in France grew in the 1980s to deal with the ethnic cleavages that came about due to its ever-increasing multicultural society and negative attitudes towards unwanted immigrants (Archambault 1993). To deal with these cleavages, a counter-movement of charitable foundations has grown on the basis of ethnic and Muslim groups and the central and local governments have aimed to work with these associations to deal with unemployment and other social issues (Archambault 1993). Enacted in 2014, Article 15 of the ESS Act (Social Innovation in France) has given grantmaking foundations involved in social innovation a legal basis in France, though since France is a low-growth country and had a relatively small foundation sector to begin with.[14] Today, however, the social innovation sector constitutes a non-negligible

[14] https://webgate.ec.europa.eu/socialinnovationeurope/sites/default/files/sites/default/files/DIR_Social%20innovation%20in%20France_en.pdf. Accessed May 31, 2015.

portion of all French jobs (10.3%) and a significant portion of private sector jobs (13.9%) (Social Innovation in France, year?).

Unlike Canada, which offers very generous tax incentives to foundations, France is an interesting example of a country in which the state has historically tried to limit the development of trusts and foundations for charitable purposes (Fack and Landais 2012). Despite the French Tax Code offering a deduction from taxable income for charitable donations since 1954, its application has been extremely restrictive and the ceiling was originally set at a very low level (0.5% of taxable income) (Fack and Landais 2012). Moreover, there are logistical hurdles to overcome on the donor-side of the equations as well: In 1982, a new tax form was required for each receipt for any charitable deduction, which resulted in a substantial drop in reported contributions (Fack and Landais 2012).

Like Canada and the rest of Europe, the scale and presence of the French nonprofit sector has been growing at high rates. One indicator of this is the growth in the recorded number of such organizations. The number of associations formed in France, for example, increased from approximately 10,000 per year in the 1960s and early 1970s to 40,000–50,000 per year in the 1980s and 1990s (Archambault 1996).

1.2.3 Sweden

Compared to Canada and most western democracies, Sweden is a leader in fostering the highest number of foundations. According to Arvidsson, Sweden has 25,000 foundations composing 29.4% of Europe's total foundations.[15] Yet, Sweden differs greatly from Canada in that the state plays a large role in fostering the growth and administering the governance of grantmaking foundations.

Under Swedish law, foundations hold assets that have been set aside permanently for a permanent or long-term given purpose, which do not have to have a public-purpose orientation. Foundations exist in Swedish society parallel to other institutions providing benefits.

Instead of being viewed as a separate sector or sphere of their own in society, Swedish foundations commonly appear to be associated with a particular "family," "group" of entities or with a municipality. In Sweden, important actors who established foundations often belong to different governmental administration positions. This is well in line with the logic that in a country with a high-tax regime, various public sector actors were generally able to accumulate substantial resources. Thus, it is often the case that state or local municipalities have been the founder of foundations in Sweden. Also apparent is the number of influential foundations that are associated with private power spheres in society. These are groups that sometimes control substantial parts of Swedish business and industrial life through owning control stock posts in Swedish companies. This practice has recently been adopted by international Swedish business leaders.

[15] In Sweden, foundations refer to charities and the term is a categorization of nonprofit foundations that either donate funds to support other organizations or provide the source of funding for its own charitable purposes. Private foundations on the other hand, are typically owned by a family or individual.

Part 2

2.1. Social Innovation

2.1.1. UK

Broad Intro into Social Innovation in UK

The UK has come to be regarded as a global leader in the field of social enterprise, recognized as a socially innovative practice, and has an estimated £24 billion social enterprise industry. Government support of social innovation is significant; in the last 15 years, more than £350 million of public money has been used to fund social entrepreneurship, charity capacity building and social ventures (Patrick, 2015). Significant philanthropic and private funding, encouraged through the introduction of tax incentives and legal reforms, have accompanied national investments. In the UK, socially innovative efforts have also found their way into the public sector with varying levels of success.[16]

Specific type of innovation in UK: Socially Responsible Investment

While the UK is a world leader in socially responsible investment (SRI) and investments have grown in the UK from 2011 to 2013 (Eurosif 2014:64), there is comparatively little data about the extent to which UK foundations are involved in SRIs (Esmée Fairbairn Foundation 2005). Still, SRIs are a growing area of interest for UK foundations, and several, including the Ashden Trust, the Tudor Trust, the Esmée Fairbairn Foundation, and the Barrow Cadbury Trust, profiled below, have been early and influential adopters of SRI.

Socially responsible investment (SRI) – also referred to as social or ethical investment – refers generally to values-guided financial investing on a personal or organizational scale. According to the European Commission, "Social investment is about investing in people. It means policies designed to strengthen people's skills and capacities and support them to participate fully in employment and social life" (European Commission 2015). Eurosif, the European Social Investment Forum, defines SRI as incorporating "ESG [Environmental, Social and Governance] issues as well as criteria linked to a values-based approach. For example, it can involve the application of pre-determined social or environmental values to investment selection. Investors may choose to exclude or select particular companies or sectors because of their impact on the

[16] For example, in an effort to find innovative, cost-effective ways to enable citizens to make better choices, the UK Government Cabinet Office formed the Behavioural Insights Team in 2010 to integrate research findings from the discipline of behavioural economics into public policy (Buckland and Murillo 2013). The BIT program is a replicable model for other national governments, funded with 500,000 pounds annually with the aim of achieving a ten-fold return in two years. in its first year the team "worked with a number of government departments to help them use behavioural insights to achieve a diverse range of objectives, such as increasing the number of people on the organ donation registry, reducing alcohol consumption, providing consumers with access to the data businesses hold about them, collecting tax revenue on time, reducing fraud, and cutting energy consumption." (Buckland and Murillo 2013:73). In its first 2 years, the BIT has identified savings that amount to well over 20 million pounds in direct cash savings and long-term costs savings are estimated to amount to hundreds of millions of pounds.

environment or stakeholders" (Eurosif 2010:8). SRI in one form or another has a centuries-old history, ranging from the values-based and anti-slavery business practices of sixteenth-century Quakers, to investment portfolios that exclude tobacco companies, to South African divestment in the 1980s (Redins, 2006).

Case Study: The Barrow Cadbury Foundation

With Quaker values like "fairness, justice, equality, dignity, redemption, [and] service" as a guiding thread (Llewellin 2006), the UK's Barrow Cadbury Trust has since 2010 taken an explicitly SRI-based approach to their funding policies (Barrow Cadbury Trust 2014a). The Trust was founded in 1920 by Barrow Cadbury – grandson of the chocolate company's founder – and his wife Geraldine to pursue social justice issues, including "racial justice, economic justice, gender justice and criminal justice" as well as "peace initiatives, democratic governance and civil society" (Llewellin 2006:1). In 2013, the Trust was valued at around £80 million (Llewellin 2006:1). Historically, the Trust has supported community initiatives in Birmingham, where the Trust is based, including post-war reconstruction efforts and migrant justice issues, as well as projects abroad, including work in opposition to South African apartheid and in support of refugees (Llewellin 2006:5). Today the Trust divides their support into three broad categories: criminal justice, migration, and poverty. In addition to these programs, the Trust has sought to base its investments portfolio on an SRI model "whereby capital as well as income is used for a social purpose" (Llewellin 2006:7). The Trust had £4 million committed to social investment (for 3-10 year investments of roughly £50,000-250,000 per product), and recognizes that while socially responsible investing may yield a lower economic return, "this will be compensated for by the social return" (Barrow Cadbury Trust 2014). It invests these funds both "for impact" – in support of racial, gender, criminal, and economic justice in particular – and to develop the social investment market – that is, investments that broaden the market for SRI by supporting a secondary market for socially responsible trading and by making the market more appealing for institutional investors beyond just the charitable sector (Barrow Cadbury Trust 2014a).

This latter aim is the motivation behind the Trust's interest in social impact bonds (SIBs), defined by Social Finance – a not-for-profit SRI organization – as a financing mechanism based on a "pay-for-success" contract model (Hughes and Sherer 2014:5). Private-sector investors fund SIBs they believe will succeed and ultimately lower costs for government: "If a program funded by SIBs achieves successful outcomes, which are defined and agreed upon in advance by all parties to the contract, government repays investors their principal plus a rate of return based on the program's success."

If outcomes are not achieved, on the other hand, government is not obligated to repay investors.
The Barrow Cadbury Trust was one of the initial investors in the six-year Peterborough Prison SIB, established in 2010 "to fund interventions to reduce reoffending among three cohorts of 1,000 short-sentenced male prisoners," (Barrow Cadbury Trust 2014b) and managed by Social Finance. The total investment by all parties was £5 million, with a return guaranteed "if reoffending is reduced by 10% per cohort compared to a national

control group.” The SIB-funded program “focuses on the immediate needs such as accommodation, medical services, family support, employment and training, benefits and financial advice” (Social Finance 2015). In 2013, roughly halfway through the SIB’s term, preliminary statistics showed a six percentage-point decline in reconviction, “from 87 in the period 2008 to 2010 to 81 in the period 2010 to 2012. This compares with a 10 percentage point increase nationally over the same periods, from 69 in 2008 to 2010 to 79 in 2010 to 2012” (Pudelek, 2013). However, the introduction of the Transforming Rehabilitation program in 2014 altered the context of the SIB by reforming probation and rehabilitation policy across the country, invalidating the SIB’s control group and necessitating a reworking of the terms of return (Barrow Cadbury Trust 2014a). While this shift does not discredit the effectiveness of SIBs, it drew attention to the model’s vulnerability to policy change (Cahalane 2014).

Questions for applicability to Canadian Context

In Canada, Social Impact bonds remain a nascent field, though interest is growing and organizations such as Deloitte have made guides available to Canadian foundations and investors who might be interested in participating in SIBs (Deloitte 2015). A recent study commissioned by Deloitte (Cuifo and Jagelewski 2014) of 18 Canadian respondents (30% of whom were located in the foundation sector) found that given the right deal, the majority of respondents were willing and able to fund an SIB, and the vast majority would be interested in considering SIB investments. Investors are willing to consider a broad range of issue areas and jurisdictions. Housing/homelessness, youth (notably unemployment and skills training), aboriginal focused issues, health and education surfaced as issue areas of potential. The investor market has identified challenges to the successful implementation of any SIB deal in Canada, the most significant of which are: collaborating with government, risk/perception of risk, liquidity, and stakeholder capacity. Investors would prefer to co-invest as part of a consortium in order to share capital commitments, due diligence, governance, and learning as well as to allow for risk reduction, and investors would prefer to conduct an SIB through an intermediary (Cuifo and Jagelewski 2014:4). What are foundation’s perspectives on SIBs? Have any SIBs been invested in yet that you are aware of? What is happening on the ground with SIBs in Canada?

2.1.2 USA

Broad Intro into Social Innovation in USA

Specific type of innovation in USA: Comprehensive Community Initiatives

Comprehensive community initiatives (CCIs) have emerged as a means of innovating in the area of grantmaking for community development, and arose to address earlier efforts that were often ineffective due to their fragmented nature and tendency to address single variables in isolation – poverty, welfare, employment, education, child development, housing and crime. Rather, CCI’s forward the idea that the multiple and interrelated problems of poor neighbourhoods require multiple and interrelated solutions" (Torjman and Levitan-Reid 2003:1). Proponents of CCIs thus promote holistic solutions that combine "physical and economic development with service and education reform, and all of these with a commitment to building community institutions and social networks" (Schorr 2011:360). Such holistic efforts are intended to foster fundamental transformations in poor neighbourhoods and to catalyze processes of sustained improvement in the lives of residents. Interventions occur not only at the level of the individuals and families residing in the neighbourhood, but also at the systems outside its boundaries, by seeking change in the social, political, and economic forces that shape neighbourhoods in various ways (i.e. city development plans, infrastructure financing, private sector penetration). CCI's have been undertaken since the 1990s in the US, largely through the support of private foundations such as the Ford Foundation, Pew Charitable Trusts, and the Annie E. Casey Foundation. The Aspen Institute has played a key role in bringing together various stakeholders (e.g., funders, community organizers, technical assistance providers, evaluators and policy-makers) to meet and identify lessons learned and to tackle common problems relating to CCI's (Torjman and Leviten-Reid 2003:2-3).

Case Study: Jacobs Family Foundation and the Jacobs Center for Neighbourhood Innovation

The Jacob's Family Foundation (JFF) is one of the forerunners of CCI's in the US, and has mounted innovative CCI approaches to addressing the problem of neighbourhood underdevelopment in San Diego. Federal land ownership and citizen aversion to taxation have historically contributed to weak political and financial commitments to public planning in the city. Few corporate headquarters in the city mean that corporate philanthropy in San Diego is also weak, which has led to a vacuum for funding for the development of underserved inner city neighbourhoods (Cosio and Rabinowitz-Bussel 2013).

The JFF has stepped in to address this lack of resources, focusing on ten neighbourhoods in 19.1 sq mile area of southeastern San Diego known as the "Diamond District", home to multi-ethnic and multi-racial (African Americans, Hispanics, Somalis, Laotians, Filipinos, Samoans) communities comprising 93,879 people that are among the poorest in San Diego.[17]

JFF was founded in 1988 by Joseph Jacobs, who had accrued his wealth from the success of his engineering consulting firm, Jacobs Engineering Group, established in 1947 in Pasadena. While Jacob's foundation is currently run by several of his family members, his personal beliefs, which are centered around a "compassionate conservativism" rooted in principles of responsibility, respect, and grassroots empowerment, have strongly directed the direction of the foundation.

[17] The rate of poverty in the Diamond District is 20.4 percent in 1990 and 2010, while unemployment remains high at 10.1%, higher than the city's average unemployment rate of 7.3. 36.5% of residents are without a high school diploma. 59.5% of households do not use English as a first language, compared to 38.8% in the city of SD (Cosio and Bussell, 2013:86).

An initial focus on traditional grantmaking eventually gave way to an interest in capacity-building and long-term investments. JFF restructured its approach toward embedded philanthropy and CCIs, establishing its operating arm, the Jacobs Center for Neighbourhood Innovation (JCNI) in 1995, to compensate for a lack of capacity among existing community organizations able to address the needs of the Diamond District neighbourhoods.

Its flagship project is the Village at Market Creek, a 60-acre site in the Diamond neighbourhoods. At its completion, the Village at Market Creek will include affordable housing, retail, office, and light industrial space, childcare centers, conference facilities, open space and parks, and cultural venues. Part of the Village includes the Market Creek Plaza, a retail center that includes the neighbourhood's first chain grocery store, along with several local businesses, an amphitheatre for community events and a 78,000 square foot community center. The Plaza has provided much-needed products and services to the neighbourhood and stimulated job training, employment, and support for small businesses run by local entrepreneurs, although these have not profited to the same extent as large chains.

JCNI's work was guided by the governing principle of an equitable partnership between the foundation and community. As an outsider, it sought first to become an accepted member of the community in several ways: making its office space available for free to community organizations in need of meeting space, and encouraging residents to host informal living room meetings to introduce Jacobs to the community and to initiate dialogues about existing challenges and visions for the future (Cosio and Rabinowitz-Bussel 2013). JCNI also engaged in community building, employing residents to conduct door to door surveys and meet neighbours, and sponsoring a block party to create community between different cultural groups. It also developed critical relationships with individuals and organizations that had deep histories in the neighborhood (Cosio and Rabinowitz-Bussel 2013).

The cornerstone of JCNI's organizational model are "working teams" comprised of JCNI staff, community members, and community partners that are designed to involve residents directly in addressing the neighbourhood's social, economic, physical, and cultural needs. JCNI is also heavily involved in exchanges with other foundations, civic leaders, and CBOs; a significant paradigm shift from the typical philanthropic model where activists and community organizations are rarely involved in discussions with foundations. JCNI also engages in video documentation of meetings and events in an effort to promote transparency. In this sense, JCNI accords significant value to process, promoting a model of power-sharing, asset control, and decision-making authority for residents. Community consultations are often lengthy, however, testing the patience of some stakeholders (Cosio and Rabinowitz-Bussel 2013).

JCNI's access to a deep pool of consistent funding from JFF has enabled it to bring in the kinds of staff and consultants needed to work towards its vision: JCNI has 100+ staff, including a 4 member management team. JCNI and JFF had USD $168,000,000 in assets in 2010. As a part of its focus on promoting change from within communities, JCNI plans to sunset and transfer all remaining assets to the neighbourhood by 2030.

In 2012 the Village at Market Creek was recognized with a Silver designation from the LEED Neighborhood Development (LEED-ND) rating system, which asserts that it meets high standards of environmentally responsible and sustainable development. The Village generated $92.7 million in annual economic activity in 2010, recapturing dollars that would otherwise flow out into other areas (Business Wire 2013).

Still, JFF has not been completely embraced by the community, which has faced broken promises and trust from other foundations in the past. Its plans to build affordable housing units had stalled due to lack of capacity to design and develop such housing, made worse by the recession. Also, JFF's failure to develop initial relationships with high-level political powerbrokers at the city level has made securing of permissions and financing difficult. A lack of local leaders involved in the organization to date may create an obstacle to the sunset date (Cosio and Rabinowitz-Bussel 2013).

Questions for applicability to Canadian Context

The assets of the JFF are much larger than those of the average Canadian foundation. Also the history of municipal planning in Canada is different; state plays a much stronger role here. What is the scope for foundations in CCI-based neighbourhood planning in Canada? Is the focus on place-based investment and community participation, as well as the goal of turning over all assets to the community when the foundation "sunsets" extendible to the Canadian context? Are there other examples in Canada of one-generation family foundations like the JFF? Similar initiatives in Canada might be seen in the McConnell Foundation's Cities for People initiative and the foundation affinity group on Smart Growth and Livable Communities, of which the Vancouver Foundation was (and may still be) active. What about community foundations that have experimented with neighbourhood small grants programs?

2.1.3. New Zealand

Broad Intro into Social Innovation in New Zealand

Social innovation is a new and emerging sector in New Zealand, and one in which the government, corporations, and nonprofits are variously represented. Socially innovative approaches have been applied by the government to the areas of youth unemployment (The "Southern Initiative"), by corporate foundations and as a component of corporate social responsibility programming (Vodafone Foundation's youth leadership programming, LanzaTech's conversion of carbon emissions[18]), and particularly in socially innovative approaches to improving outcomes in the Maori and Pacific Island community (Foundation North; the J.R. McKenzie Foundation, which has been acknowledged internationally for excellence in indigenous focused grantmaking). It should be noted that due to the promotion of indigenous culture and language following

[18] See the Auckland Council's "Social Innovation in Auckland (2013) for more details.

official attempts at inclusion (pursuant to the Treaty of Waitangi) many national organizations in New Zealand are bi-cultural, or at minimum bilingual, such as Philanthropy New Zealand.

Specific type of innovation in New Zealand: Grantmaking to Indigenous Communities

It is estimated that only one-fifth of one percent of international philanthropy targets indigenous peoples (Palmer 2011). But indigenous peoples are the world's largest minority, with 370 million people in 90 countries located across six continents. In nearly every location, they are also among the most impoverished and underrepresented. Their marginalization extends into the philanthropic community, where the provision of funds remains minimal and in many cases untracked (Palmer 2011).

Innovation in the area of grantmaking to indigenous communities has been stalled by several barriers, well-noted in the literature, such as those relating to language (e.g. requiring grant proposals to be in dominant language), lack of access due to geographic isolation of communities, lack of local bureaucratic or philanthropic structures, cultural differences, and issues of trust relating to histories of colonialism (Palmer 2011).

Case Study: Foundation North's Maori and Pacific Islander Education Initiative (MPEI).

Foundation North (formerly ASB Trust) has provided a comprehensive documentation of the process of its development of the Maori and Pacific Education Initiative (MPEI), a grantmaking initiative focused on generating community-based solutions to poor educational outcomes among Maori and Pacific youth.

Founded on the sale of its shares in the ASB bank in 1988, Foundation North has distributed more than $800 million in grants to the non-profit sector in New Zealand. It is the largest philanthropic organization in Australasia, possessing investments of NZ$1 billion and disbursing annual grants totaling NZ$40–45 million. (MPEI contributors and Hancock 2012a:13).

Foundation North makes grants across three funding areas: People, Places and Participation. Each includes a number of strategic objectives and these objectives determine which organizations are funded. Foundation North's strategic plan for 2013-2018 places a renewed focus on working in partnership with grantees and other funders to achieve projects of greater scale and impact.

The MPEI

The Maori and Pacific Education Initiative (MPEI) orients itself towards addressing the trenchant problem of educational underperformance among children in Maori and Pacific

Islander communities.[19] The MPEI was born at a strategic planning meeting in March 2006, when trustees from Foundation North agreed to set aside a significant sum to support an educational intervention that would, over five years, lift Maori and Pacific community educational outcomes by 50%. To this end, the Trust set aside $20 million for the Māori and Pacific Education Initiative (MPEI); a financial outlay far greater than any amount it had ever committed to a single initiative (MPEI contributors and Hancock 2012a:12). The Trust had a 20-year history of engagement with the education sector, and several trustees brought strong Maori community networks and connections to the table (MPEI contributors and Hancock 2012a:18-19). Education was also a central determinant of well-being that could impact on various other aspects of everyday life (ibid).

The goal of the initiative was to provide a means of permitting communities to actively take charge of change, take risks, set their sights on the long-view, and exercise patience in getting there (2012a16-17). Trustees also embraced the idea of harnessing greater intellectual rigor in grant making through an evidence and outcomes-based approach (MPEI contributors and Hancock 2012a:18-19). This was in response to the recognition that traditional philanthropic practices of spreading resources widely did not allow for major innovations to seed and flourish. What was required was a substantial investment up front and funding over a number of years to enable communities or organizations to implement their visions through existing projects, rather than being caught in the bind of constantly having to seek top-up funding to cover operational costs (MPEI contributors and Hancock 2012a:19).

Looking to the approaches of large business foundations that gave away substantial funds each year, the Trust noted that innovation is "by nature a risk-taking endeavour that requires investing in and nurturing new ideas" (MPEI contributors and Hancock 2012a:19). At the same time the Trust made sure to protect its core grantmaking commitments to the operations of non-profits in the region.

The Trust and MPEI collaborators searched for innovative proposals addressing educational underachievement among Maori and Pacific communities. A guiding principle was that solutions were solicited from the communities directly involved, rather than imposing solutions externally.

Six years into the program, the Trust has committed over $16 million through two grant making

rounds funding a total of 11 MPEI projects. In addition, 10 percent of MPEI funds are dedicated to the evaluation of MPEI projects. A developmental evaluation approach is promoted, one that aims to align with MPEI principles, foster collaborative approaches and harness critical inquiry, count what's countable, and situate MPEI projects in relevant

[19] In 2007, just over 80 percent of Māori boys in Whangarei (Northland's largest city) failed level one of New Zealand's National Certificate in Educational Achievement (NCEA). Health research reiterated the impact of educational achievement – or lack of it. Paediatric research concluded that education was pivotal to improving health outcomes in Pacific Island communities. Improving health outcomes required raising the level of family income which, in turn, required raising the levels of educational achievement. A higher family income would help to diminish the incidence of overcrowded housing which, in turn, would reduce the incidence of illnesses attributed to such living conditions (2012b:19).

literatures. Developments are tracked from when grantees take up their grants, and the MPEI Storytelling Project was launched as a means of publishing stories and lessons from the initiative as it unfolded, rather than waiting for retrospective review (MPEI contributors and Hancock 2012b:13).

Program rollout.

Ring-fencing funds

At the outset, trustees made a pivotal decision to "ring-fence" funds; that is, to protect them for MPEI regardless of the performance of Trust investments in international financial markets. This decision was made with the understanding that the MPEI would need time to develop and respond to community expectations for its future. Safeguarding the future of MPEI enabled the Trust to follow through on its commitments, exercising a "duty of care" to the communities involved. Ring-fencing funds demonstrated seriousness of purpose and commitment to the initiative: it told Māori and Pacific communities: 'Your interests count in this matter and won't be shaved because of difficulties the Trust might experience elsewhere' (MPEI contributors and Hancock 2012a:20). This radical decision was tested by the effects of an international recession and was upheld.

Cultural competence

MPEI contributed to a major shift in the culture of the Trust. In response to community expectations, Trust members have learned to express cultural competence in their interactions with Aboriginal communities, learning how to conduct formal welcomes, beginning meetings with prayers, and using venues familiar to the community. Efforts were made to learn and use known cultural concepts rather than applying concepts external to the community (MPEI contributors and Hancock 2012b:36-39).

Grant Application Process

The MPEI would fund a small number of innovative community groups who might not otherwise have had a chance to implement their vision; community ownership and support for initiatives would encourage active participation and sustainability (MPEI contributors and Hancock 2012b:21). While only a handful of initiatives would be funded, trustees and staff held the hope that MPEI projects would not only prove effective and beneficial to participants but also carry the potential to be scaled up or become a model for replication elsewhere. Trustees and staff hoped that successful MPEI projects would, in time, become financially sustainable by earning the support of government and other philanthropic organizations, or by other means. The long view articulated the philosophy that: "We will support those who will be the fore-runners for testing ideas aimed at influencing educational outcomes over the next 15 years." Innovation was key: not settling for solutions that were already available (MPEI contributors and Hancock 2012b:21).

The Trust eventually set a limit of five-year funding. Pre-school period spans 5 years, and so does high school. Trustees are also appointed by the government for 4 year terms.

Trustees wanted to take responsibility for the grantmaking process and see it through, and allow for the next group of trustees to pursue other initiatives if they so desired (MPEI contributors and Hancock 2012a:21).

The program began by asking interested applicants to submit 400 word expressions of interest in which applicants were invited to share their dreams – this was a blue skies opportunity where "anything was possible", since the foundation was prepared to keep an open mind and embrace the uncertainties of an organic approach (MPEI contributors and Hancock 2012b:33).

In August 2008, shortlisted applicants were asked to submit an in-depth proposal and business case, due January 2009. To help applicants, the Trust provided a planning template and (when the need was made apparent) a consultant to assist applicants in producing the necessary documentation.

Consultants were hired to help grantees build capacity for six months before rolling out programs; workshops were made accessible to grantees through an online calendar system.

Questions for applicability to Canadian Context

In the Canadian context, grantmaking to Aboriginal communities is likewise limited due to the perceived barriers outlined above. It should be noted that First Nations are self-governing nations that are considered governments, and therefore no charitable numbers are needed to make donations to these entities (CPAPC 2011:30). Further, a number of Aboriginal organizations are registered charities and some organizations and communities have partnered to facilitate grantmaking. However, foundations can now only grant if the First Nation, Metis or Inuit organization is on the list of public bodies performing a function of government, which is only a minority of First Nations (Canada Revenue Agency 2011). The federal government has committed to providing funding to Aboriginal and Inuit communities in areas such as health, education, maternal-child care, child welfare and welfare, though community needs exceed the funding provided, and there remains an underlying inequality in the provision of governmental funding to First Nations communities in Canada[20] (CPACP 2011:30) This creates a problematic scenario for both foundations and First Nations communities. Each may fear that government will renege on financing and responsibilities if grantmakers step in to address community needs (CPACP 2011:30). What are some of the barriers faced with regard to grantmaking to Aboriginal communities and organizations in Canada? Have grantmakers collaborated to find community-based solutions that come from First Nations communities in the manner of MPEI? Are funds routinely put aside and reserved for initiatives targeting First Nations communities? What is the typical length of commitment?

2.1.4. France

Introduction to Social Innovation in France

[20] For example, non-Aboriginal children receive 56 percent more per person per year in public funding than First Nations (CPACP 2011:30).

Unlike many European countries, the French state has succeeded in assuming the role of primary representative of the public will and in ensuring that foundations play a smaller role (Archambault 1996). Like some other European countries, France derives the legal basis for social innovation from a statute. The legal basis for social innovation in France comes from the ESS Act. Article 15 of the Act of July 2014 defines social innovation as follows: involving one or more enterprises and providing goods or services that: (a) addresses social needs that are not met, or are not well met or (b) addresses social needs via an innovative form of enterprise, an innovative way of producing goods or services, or an innovative way of organizing work. Social innovation in France is mainly entrepreneurial in nature and is associated with three fields of intervention: (1) the social and solidarity based economy, (2) social entrepreneurship, and (3) social impact. The social and solidarity based economy refers to the umbrella term for all forms of interventions. Social entrepreneurship in France refers to the social enterprises that are formed for a societal, social, or environmental purpose without the goal of profit maximization. Finally, social impact indicates an organization formed for a social purpose that seeks a positive social impact. Today, the social innovation sector constitutes a non-negligible portion of all French jobs (10.3%) and a significant portion of private sector jobs (13.9%) (Social Innovation in France year of publication).

Specific type of innovation in France: Crowdfunding

Recently, small firms in France have faced tremendous difficulties in financing their projects via the traditional banking system. As a result, crowdfunding has recently appeared as a solution to this monetary barrier. Crowdfunding, or "financement participatif," is a new form of social innovation being commonly used in France. It involves the process of funding a project by raising financial contributions from a large number of people, often through the internet. Crowdfunding first gained traction in the United States in 2003 and has subsequently stemmed to different countries.

Since its introduction in France in 2007, crowdfunding has raised over 55 million Euros to finance 17,000 projects (Sannajust, Roux, and Chaibi 2014). Its popularity in France is so immense today that in October 2014, regulations and guidelines managing "financement participatif" were passed and are now enforced. Recognizing that "innovation is the engine that drives competitiveness, growth and employment in the fastest-growing economies all over the world," Pellerin, the Minister of Culture and Communication, has been a champion in ensuring the passage of more expansive laws in 2014.

Under French law, crowdfunding can materialize in six different ways: (1) donation to a project, (2) donation in exchange for something -- or a counterpart, (3) peer-to-peer loans between private individuals, (4) equity based crowdfunding, (5) community based production, and (6) solidarity based microcredits (AEIDL Report). The new crowdfunding regulations allow campaigns and ventures to raise up to 1 million Euros, despite industry insiders' wishes of a 5 million Euro benchmark.[21] One crucial benefit to crowdfunding is that allows for the collection of the necessary funds for the completion of work while reserving the full copyright to the firm.

Case Study: Ulule

One form of crowdfunding involves a donation in exchange for a return, where the exchange between the donee and donor is similar to a barter. The return is commonly referred to as the "counterpart." The case we discuss in more detail is Ulule, a crowdfunding website based in France. Launched in 2010 in Paris, Ulule is a website similar to Kickstarter in the United States that gives users the opportunity to participate in the funding of creative projects.

At a base minimum, users can commit to donating 1 Euro to a venture. If the project is funded at its minimum target, donations are collected from users and distributed to the project creators. Since its launch, Ulule has fostered the implementation of 8763 projects at a 67% success rate that it contends are "creative, innovative, or community-minded" because of users from 155 different countries.[22]

The Ulule platform offers its project creators two types fundraising options where the project manager can: (1) set a budget target or (2) a number of objects/items to pre-sell. To encourage efficiency, project creators operate within a limited time frame and a specific minimum amount they may request of users. Within this framework, the project creators, the users, and Ulule all can expect to experience benefits. For the project creators, it provides them an opportunity to have their ventures funded in a tight credit market where the traditional banking system is not readily funding them. For the users, while it may not be an investment in the literal sense, it is so in terms of the tangible rewards they receive from the project creators (such as a thank you letter, personalized T-shirt, or one of the first few products of a new production line). Finally, Ulule charges project creators up to 8% in taxes of the fees they collect: 5% for successfully funded projects and 3% transactional and technical costs.

Since its inception, Ulule has collected over 31 million Euros in contributions and has consistently grown in size and scope.[23] The contributions on average have steadily totaled 49 Euros, however the number of users and projects launched have increased drastically. While there were only 60 projects launched in 2010, there were 5,407 projects launched in 2014. Curiously, however, the success rate of the projects each year has remained constant, averaging 63% . With respect to the categories of successful projects funded, the most successful categories have been in film and video, with 7,151,873 Euros collected for projects that were successful 71% of the time. The least funded category has been in the heritage category at 583,617 Euros, with a relatively high success rate of 64%. Ulule also funds projects in music, charities and citizen, publishing and journalism,

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[21] http://www.crowdfundinsider.com/2014/10/51484-french-crowdfunding-laws-now-force/. Accessed May 20, 2015.
[22] http://www.ulule.com/about/faq/. Accessed May 20 2015
[23] https://www.ulule.com/stats/. Accessed May 20, 2015.

stage, games, art and photo, sports, crafts and food, technology, fashion and design, comics, and childhood and education.

Questions for applicability to Canadian Context

While there is a "National Crowdfunding Association of Canada," necessary laws and regulations have yet to be passed to allow startups and early stage companies to raise capital through crowdfunding.[24] Proposed laws however, would allow startups to raise up to $1.5 million of capital online through the issuance of securities.

(1) Would the Canadian Crowdfunding be limited only to Canadian users or opened to North American/Worldwide users as well?
(2) Entrepreneurs may require additional support to assess the economic potential of their product and crowdfunders may not have any special knowledge about the industry. Will this pose a problem to the Canadian endeavor?
(3) How much money can Canadian project creators expect to receive from individual users?

2.1.5. Italy

Broad Intro into Social Innovation in Italy

In Italy, welfare spending by the state is less than in northern European countries. For the most part, the gaps have been filled by the Catholic Church along with nonprofit organizations developed to fill these gaps in delivering public goods (Defourny and Nyssens 2008). As of the early 1990s, Italy has reformed its laws on grantmaking foundations and has created legal pathways for "social cooperatives," which have now grown tremendously.

The existence of social cooperatives in Italy has also not stopped other types of Italian organizations from developing social entrepreneurial activities of their own (Defourny and Nyssens 2008). Thus, Italy presents an instructive case where social cooperatives are financed through contracts that are passed through? with the public authorities in a competitive market (Defourny and Nyssens 2008). Social enterprise is currently making large strides in the Italian Third Sector. Italy has been a pioneer in developing a social enterprise concept in the European context, when it defined "businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners" (DTI 2002).

Specific type of innovation in Italy: Banking Foundations

Italian banking foundations are a recent phenomenon under Italian law. They were developed in the 1990s as a result of a legislative process aimed at privatizing and modernizing the public banking system (Emmanuele 2004). Banking foundations were legalized with the Amato Law n. 218/1990 through the privatization of public banks

[24] http://ncfacanada.org. Accessed May 20, 2015.

(Emmanuele 2004). Under this law, savings banks were required to separate into two parts: a nonprofit foundation and a commercial banking arm. Italian grant-giving bank foundations are intermediaries between the individual donors and the social enterprise that they support.

Grantmaking banking foundations do not have shareholders but rather are run by regional and community stakeholders. Currently, banking foundations are mainly involved in the areas of arts and culture, assistance to the underprivileged, education, support to voluntary organizations, healthcare and scientific research. They typically operate in their own community and do not carry out activities outside their local territory or at an international level. Likewise, while they do not have shareholders, regional and local authorities typically appoint the members of the Board of Governors, and thereby these resemble political appointments (Governance and Value Creation in Grantgiving, year of publication).

However, the ownership structure of these banks -- meaning that they are foundations without shareholders and cooperatives -- can raise certain challenges for corporate governance. Because they do not have shareholders, they are subject to political influence, which affects the banking foundation's activities. Banking foundations are major shareholders in 23% of all Italian banking assets.

Case Study: Fondazione Cariplo and Social Housing

The largest banking foundation in Italy, Fondazione Cariplo is also one of the largest foundations in Europe. With a net worth of over 7 billion Euros, it spends 150 million Euros per year in various art, cultural, education, healthcare, and scientific research programs (The Inventive Foundation Report, year). Among its many endeavors, Fondazione Cariplo maintains a subsidiary organization -- Fondazione Housing Sociale (FHS). The creation of FHS was necessary because the housing market in Italy in the 1990s had become more expensive, and in a country where its nationals favored home ownership as the pattern demand had changed such that more singles, immigrants, and students needed housing as well.

Given that the public housing sector placed its primary focus on the poorest and most marginalized, it was unable to meet the new demands of the "intermediate" segment of the population. While these individuals were able to pay something, they could not afford the rising housing prices. Thus, derived from shortages in affordable housing, FHS was developed in 2004 to form a multi-faceted social housing program that enables individuals to enter long-term rental agreements for affordable homes. The program involves several project components in the areas of: housing, real estate, urban regeneration, neighborhood building, welfare housing, environmental, missing related, cross-sector cooperation, and service provision (The Inventive Foundation Report).

Recognizing the need to develop social housing, FHS enlisted the expertise of Milan Polytechnic University to prepare a feasibility study of an autonomous sustainable system to provide a range of housing types that would not need "feeding with grants." FHS' development as an entity was to develop the ideas presented in the feasibility study. It experiments with innovative solutions in structuring, constructing, and managing social housing initiatives in a fiscally sustainable way, such that it minimizes its marginal costs in a way that the maintenance of its programs are not dependent on grants. Focusing on those individuals who compose the "intermediaries," FHS presents housing solutions for those who make between 12,000-50,000 Euros per annum but who face difficulties in the housing markets (The Inventive Foundation Report).

To ensure that it had an effective and sustainable business model for its social housing initiatives, FHS generated a sustainable business model through the development of an ethical fund. Within this ethical fund, FHS aimed to provide very low interest rates in an effort to not debilitate the beneficiaries of its projects. At the conclusion of its meetings, FHS had convinced 9 high profile organizations to invest 85 million Euros. FHS recognized that in Italy, if one bank was persuaded to participate, others would become more confident and follow suit.
One of FHS' biggest accomplishments lies in a suburb of Milan where it developed 123 dwellings in a purpose built development.[25] The building's design was left to an international architectural competition in an effort to raise the endeavor's profile. While the project faced delays and setbacks, FHS continued to strive to create a space that was innovative in terms of social impact. In its final form, the building incorporated environmental and technological innovations as well as a range of commercial units and public spaces available for use by the rest of the neighborhood.

The buildings are designed to foster community sharing and include communal kitchens, laundry rooms, a common party room, and a hobby room. Moreover, the opening of the buildings was so widely anticipated that in advance of its completion, each unit had already been rented out, in addition to its two commercial spaces, which were to be occupied by a fair trade coffee outlet and a clothing recycling store (The Invention Foundation Report). Now that this project is over, FHS is focusing on developing and implementing the social aspects of the projects and its financial sustainability.

Questions for applicability to Canadian Context

While Canada is nowhere close to adopting laws that allow private and public banks to be partially run by banking foundations, there are important questions about the applicability to the Canadian case.

(1) Would it make sense in Canada to have the government require certain private enterprises to be associated with foundations dedicated to social innovation?
(2) To what extent is affordable housing a goal that grantmaking foundations in Canada can seek to improve on?

2.1.6. Sweden

[25] Pictures of this structure can be found at: http://www.cennidicambiamento.it/. Accessed May 31, 2015.

Broad Intro into Social Innovation in Sweden

Sweden is Europe's leading country in terms of its number of grantmaking foundations. Of the 85,000 foundations in Western Europe, Sweden has the largest number at 25,000 or 29.4%. In Sweden, it has oftentimes been different parts of the government administration who have been the important actors establishing foundations. Thus, it is often the case that state or local municipalities have been the founders of foundations in Sweden (Foundations in Europe and their Scope, year of publication). Given that it is a country with a high-tax regime, various public sector actors have generally been able to accumulate substantial resources.

For several reasons, Sweden is pursuing new innovation goals for 2020. The government recognizes a need to be more innovative to meet global societal challenges, to increase competitiveness, to renew the future welfare, and to increase public services. Their innovation strategy is in line with policy documents in the area, especially since the EU has also developed a strategy for jobs and growth (known as Europe 2000). These strategies are permeated by the need for innovative goods, services, businesses and social solutions in order to facilitate the preservation and development of today's welfare and living standard and to meet future challenges.

The ambitious Swedish targets may work as a facilitator, together with targets, for renewable energy and sustainable development. Given that innovation is closely linked to research and development and Sweden is one of Europe's top three spenders in this area, its investment of 3.6 per cent of GDP in R&D in 2009 is proof of its success.

Specific type of innovation in Sweden: Fostering Inventor's Competitions through Education

Sweden employs competitions to foster an entrepreneurial spirit among its youth. Sweden has faced a great challenge in motivating its younger citizens to pursue a career in entrepreneurship or in the sciences. To remedy this deficit, Sweden grantmaking foundations host inventor's competitions in local high schools. Inventor competitions are useful because they allow students to see their ideas become a reality. The development of an invention from idea to reality is a long process which often involves many people with knowledge in various areas.

Therefore, the invention process is particularly well suited for multidisciplinary work in schools. Oftentimes, students are required to start by examining everyday innovations, such as toasters. Under the supervision of a teacher, they dismantle the innovations into pieces. The teachers then allow students to familiarize themselves with the pieces of the innovation and to think through how it could be improved. Once they have examined the innovation closely, students are introduced to the competition. Other times, students are directly introduced to the competition and the students themselves must seek the knowledge required to produce and develop their own ideas. They are instructed that their mission is to create a new innovation. Once the competition is over, the organizing foundation often maintains a website where individuals can vote on the best innovation.

Case Study: Finn upp

Finn upp is an organization that plans, funds, and organizes Sweden's largest investor's competition. It combines an investing-based teaching method for schools with an inventor's competition for high school aged children.[26] The competition is held every three years and its goal is to stimulate the power of young ideas and inspire a new generation of investors and entrepreneurs. Originated in 1979, Finn Upp was a solution to Sweden's declining interest in science and technology among young people.

It strives to interest more young students in selecting an engineering profession and to strengthen the entrepreneurial spirit in Swedish schools. Finn upp's goal is to be part of a developmental and educational journey that allows students to think outside of the box. Oftentimes, commercially viable inventions are developed, which is very encouraging for young students who participate in the competition.

Finn upp competitions have become so commonplace in Sweden that they are now used by teachers as a pedagogical tool. Finn upp allows students to discover and make use of one's creativity and to test it under real conditions, strengthen self-esteem, and motivate students. Those teachers who have worked with Finn upp have described its success in how the competition has awakened the students' desire to seek knowledge, drawn out hidden talents, and motivated them to believe in their creative abilities. This exercise has created a positive spirit of unity throughout entire schools in Sweden because it allows students to see things from new perspectives.

Finn upp arranges a national inventions competition every three years for high school aged children. The competition invites inventions that are both technically advanced as well as simple and smart solutions to everyday problems. Students are also able to present inventions that improve already existing products. The competition provides prizes in the form of scholarships that are at times presented to students by the King of Sweden. Finn upp has tried to help female students overcome barriers and create pathways for them into the sciences. Since the first competition in 1979 more than 48,000 ideas been introduced as part of the competition and since 1991 more than 50 % of the ideas have been proposed by girls.

Questions for applicability to Canadian Context

Sweden has several policy areas it has delineated for improvement by 2020 to keep in line with the EU's projected goals. Here, we question whether these standards apply to the Canadian context:

(1) To what extent does Canada have plans to continue to develop good conditions, incentives, and framework conditions for entrepreneurship?

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[26] http://www.finnupp.se/english. Accessed May 21, 2015.

(2) To what extent does Canada plan to promote positive attitudes toward entrepreneurship and innovation in society (i.e. by highlighting good examples and role models and developing forms of mentoring)?
(3) Will Canada develop entrepreneurship throughout its educational system?
(4) To what extent does Canada foster or plan to foster innovative workplaces and work environments in which employees' expertise, creativity, and capacity for cross-border work are implemented?
(5) Will Canada develop conditions for its citizens, users, and consumers to contribute to innovation (i.e. by promoting innovation brought about by users and appropriate, effective consumer support that is equal to all of the country's consumers)?
(6) Do CRA regulations provide sufficient latitude to foundations to invest in individuals (as distinct from organizations), beyond scholarships and bursaries?

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